

Heatrod Elements Limited

**Directors' report and financial
statements**

Registered number 00766637

For the year ended 31 December 2014

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Company Information

Directors	H T Hansson U C Fredriksson T G Lindquist S Ellam
Company Secretary	Southampton Row Secretaries Ltd
Registered Number	00766637
Registered Office	65 Carter Lane London EC4V 5HF
Trading Address	Unit 50 Wardley Industrial Estate Worsley Manchester M28 2DP
Independent Auditor	KPMG LLP 1 St Peter's Square Manchester M2 3AE

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2014.

Principal activities

The company's principle activity during the year continued to be that of manufacturing electric heating components and finished products.

Business Review

During 2014 the business has continued to consolidate its position in both industrial and consumer markets and has built a solid and stable platform for growth over coming years. A focus on increasing sales organically is now the priority and resources to enable this have been added during the year.

The performance of the business in 2014 was much improved with a steady order intake throughout the year. Manufacturing capacity was steadily increased and margin levels improved through cost efficiencies and sales measures.

The key performance indicators for the company are revenue and operating profit.

In the year ended 31 December 2014, the company has reported revenues of £4,032,605 (2013: £3,374,367). This has led to an operating profit of £173,771 in 2014 (2013: loss £254,226).

The profit for the year, after taxation, amounted to £158,764 (2013: loss £281,807).

Principal risks and uncertainties

Whilst currently working on transitioning and developing the customer base, Heatrod remain somewhat reliant on a number of key customers.

Going concern

The directors have a reasonable expectation that whilst the company is currently in a net liability position, with the financial support of its parent company, Backer BHV AB, that there are adequate resources to continue in operational existence for the foreseeable future. For further information regarding the directors' assessment of the going concern status of the company, refer to the accounting policies note on page 11.

Directors

The directors who held office during the year were as follows:

H T Hansson
U C Fredriksson
T G Lindquist
S Ellam

Political and charitable contributions

The company made no political donations during the year (2013: £nil). The company made no contributions to UK charities during the year (2013: £nil).

Proposed dividend

The directors do not recommend the payment of a dividend for the year (2013: £nil).

Directors' report *(continued)*


Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



12/05/15

S Ellam
Director

65 Carter Lane
London
EC4V 5HF

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Heatrod Elements Limited

We have audited the financial statements of Heatrod Elements Limited for the year ended 31 December 2014 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Heatrod Elements Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



19/5/15

Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Profit and Loss Account
for the year ended 31 December 2014

	<i>Note</i>	2014 £	2013 Restated £
Turnover	2	4,032,605	3,374,367
Cost of sales		(2,600,200)	(2,486,941)
		<hr/>	<hr/>
Gross profit		1,432,405	887,426
Administrative expenses		(1,382,483)	(1,258,919)
Other operating income		123,849	117,267
		<hr/>	<hr/>
Operating profit/(loss)	3	173,771	(254,226)
Interest payable and similar charges	7	(15,007)	(27,581)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		158,764	(281,807)
Tax on profit / (loss) on ordinary activities	8	-	-
		<hr/>	<hr/>
Profit/(loss) for the financial year	16	158,764	(281,807)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

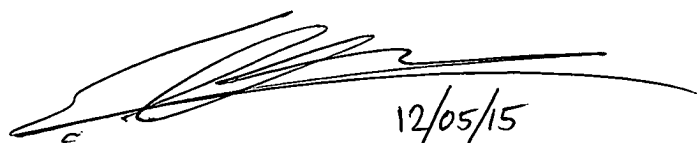
There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 9 to 16 form part of these financial statements.

Balance Sheet
at 31 December 2014

	<i>Note</i>	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	9		300,642		315,710
Current assets					
Stocks	10	648,546		652,994	
Debtors	11	831,037		844,571	
Cash at bank and in hand		14,874		27,344	
		<u>1,494,457</u>		<u>1,524,909</u>	
Creditors: amounts falling due within one year	12	(1,414,059)		(1,652,813)	
		<u></u>		<u></u>	
Net current assets/(liabilities)			80,398		(127,904)
			<u></u>		<u></u>
Total assets less current liabilities			381,040		187,806
			<u></u>		<u></u>
Creditors: amounts falling due after more than one year	13		(767,683)		(767,683)
Provision for liabilities	14		(52,470)		(18,000)
			<u></u>		<u></u>
Net liabilities			(439,113)		(597,877)
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	15		50,000		50,000
Profit and loss account	16		(489,113)		(647,877)
			<u></u>		<u></u>
Shareholders' deficit	17		(439,113)		(597,877)
			<u></u>		<u></u>

These financial statements were approved and authorised for issue by the board and were signed on its behalf on:



12/05/15

S Ellam
Director

The notes on pages 9 to 16 form part of these financial statements.

Company Registration Number: 00766637

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

Going concern

The company has net liabilities of (£439,113) at the year-end (2013: £597,877). However, the directors have a reasonable expectation that whilst the company is currently in a net liability position, with the financial support of its parent company, Backer BHV AB, there are adequate resources to continue in operational existence for the foreseeable future.

Confirmation has been received from Backer BHV AB that they will continue to support the company, and provide support to the company as is required for at least the next 12 months from the date of signing of these accounts. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised when goods are dispatched.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Plant & Machinery	-	1-10 years straight line
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Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Prior year restatement

During the current year the presentation of cost of sales has been changed to include the direct labour costs of production, rather than present these as an administrative cost. The directors consider this to be a more appropriate presentation. Accordingly, a restatement of the comparative figures, for the year ended 31 December 2013, has also been recorded. The 2013 comparatives have been restated to increase cost of sales by £458,478 and decrease administrative expenses by £458,478. There was no effect on the prior year profit and there were no tax implications as a result of the restatement.

2 Turnover

The whole of the turnover is attributable to the company's principal activity.

3.4% of the company's turnover (2013: 3.6%) is attributable to geographical markets outside the United Kingdom.

3 Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets		
- Owned by the company	72,240	85,021
Operating lease rentals		
- Other operating leases	100,000	100,000
Difference on foreign exchange	14,421	250
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Auditors remuneration

	2014 £	2013 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	10,000	9,500
Fees payable to the company's auditor and its associates in respect of: Taxation compliance services	3,000	2,500
	<u>13,000</u>	<u>12,000</u>

5 Staff costs

Staff costs, including directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	972,375	835,917
Social security costs	99,393	119,805
Other pension costs	25,219	19,020
	<u>1,096,987</u>	<u>974,742</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	2013 No.
Administration	3	2
Production	32	32
Selling and distribution	7	5
	<u>42</u>	<u>39</u>

6 Directors' remuneration

	2014 £	2013 £
Emoluments	90,000	90,000
Company pension contribution	7,800	7,800
	<u>97,800</u>	<u>97,800</u>

During the year retirement benefits were accruing to one director (2013: one) in respect of defined contribution pension schemes.

Notes (continued)

7 Interest payable

	2014 £	2013 £
On overdraft	9,164	10,540
On loans from group undertakings	5,843	17,041
	<u>15,007</u>	<u>27,581</u>

8 Taxation

Factors affecting tax charge for the year

The current tax charge for the period is lower (2013: lower) than the standard rate of corporation tax in the UK (21.49%, 2013: 23.25%). The differences are explained below:

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	158,764	(281,807)
	<u>34,118</u>	<u>(65,520)</u>
Current tax at 21.49% (2013: 23.25%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,903	6,412
Capital allowances for period in excess of depreciation	18,107	356
Other short term timing differences	(322)	-
Utilisation of tax losses and other deductions	(53,806)	58,752
	<u>-</u>	<u>-</u>
Total current tax charge	-	-

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2014) were substantively enacted on 3 July 2013. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2014. This will reduce the company's future current tax charge accordingly.

The company has unused tax losses of approximately £7,904,331 (2013: £8,142,441) available to carry forward against future trading profits.

A potential deferred tax asset of £1,611,375 (2013: £1,642,710) relating to tax losses, has not been recognised in these financial statements due to uncertainty as to its recoverability.

Notes (continued)

9 Tangible fixed assets

	Plant & machinery £
Cost or valuation	
At 1 January 2014	1,180,155
Additions	69,663
Disposals	(436,540)
	<hr/>
At 31 December 2014	813,278
	<hr/>
Depreciation	
At 1 January 2014	864,445
Charge for the year	72,240
On disposals	(424,049)
	<hr/>
At 31 December 2014	512,636
	<hr/>
Net book value	
At 31 December 2014	300,642
	<hr/> <hr/>
At 31 December 2013	315,710
	<hr/> <hr/>

10 Stocks

	2014 £	2013 £
Raw materials	327,046	410,294
Work in progress	22,200	32,010
Finished goods and goods for resale	299,300	210,690
	<hr/>	<hr/>
	648,546	652,994
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors

	2014 £	2013 £
Trade debtors	718,894	720,457
Amounts owed by group undertakings	41,727	39,004
Prepayments and accrued income	70,416	85,110
	<hr/>	<hr/>
	831,037	844,571
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 Creditors: Amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts	663,934	848,929
Trade creditors	311,228	337,988
Amounts owed to group undertakings	130,646	228,066
Social security and other taxes	92,430	109,952
Other creditors	83,762	-
Accruals and deferred income	132,059	127,878
	<u>1,414,059</u>	<u>1,652,813</u>

13 Creditors: Amounts falling due after more than one year

	2014 £	2013 £
Amounts owed to group undertakings	<u>767,683</u>	<u>767,683</u>

14 Provisions for liabilities

	Legal provision £	Quality credits £	Total £
At 1 January 2014	18,000	-	18,000
Charge to profit and loss account	-	34,470	34,470
	<u>18,000</u>	<u>34,470</u>	<u>52,470</u>
At 31 December 2014	<u>18,000</u>	<u>34,470</u>	<u>52,470</u>

A legal provision for loss of hearing has been recognised in prior year in respect of proceedings brought against the company during the previous year. The case is still ongoing and the provision will be utilised or released in future periods based on the outcome of those proceedings.

A provision for product liability and quality credits relating to sales in 2014 has also been recognised.

Notes (continued)

15 Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
50,000 Ordinary Shares of £1 each	50,000	50,000

16 Reserves

	Profit and loss account £
At 1 January 2014	(647,877)
Profit for the year	158,764
At 31 December 2014	(489,113)

17 Reconciliation of movement in shareholders' deficit

	2014 £	2013 £
Opening shareholders' deficit	(597,877)	(316,070)
Profit / (loss) for the year	158,764	(281,807)
	(439,113)	(597,877)

18 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £25,219 were payable by the firm in respect of 2014 employee service (2013: £19,020).

Contributions totalling £nil (2013: £nil) were payable to the fund at the balance sheet date and are included in creditors.

Notes (continued)

19 Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2014 £	Land and buildings 2013 £
Expiry date		
Within 1 year	-	-
Between 2 and 5 years	97,500	97,500
	<hr/> 97,500 <hr/>	<hr/> 97,500 <hr/>

20 Related party transactions

As the Company is a wholly owned subsidiary of Nibe Industrier AB, the Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

21 Ultimate parent undertaking and controlling party

The entire share capital of Heatrod Elements Limited is held by Backer BHV AB, a company incorporated in Sweden. Backer BHV AB are the immediate parent undertaking of Heatrod Elements Limited.

The company's ultimate undertaking is Nibe Industrier AB, a company incorporated in Sweden. The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Nibe Industrier AB. Consolidated accounts are available from Nibe Industrier AB, Hannabadsvägen 5, Markaryd, Sweden (visitors address), Box 14, SE 285 21, Markaryd, Sweden (postal address).